

The **Indiana Uniform Consumer Credit Code** (IC 24-4.5) contains regulations covering consumer leases. A consumer lease is for a personal, family, or household purpose, the amount of the lease does not exceed \$50,000, and is for a term exceeding 4 months.

The obligation of a lessee upon expiration of a consumer lease may not exceed three (3) times the average payment allocable to a monthly period under the lease. This limitation does not apply to charges for damages to the leased property or for other default.

A lessor may not take a security interest in property of the lessee to secure the debt arising from the lease.

TO LEASE OR TO BUY?

That's the choice you face when mulling over makes and models and deciding which car deal best meets your needs. Leasing a car is not the same as buying one. When you buy, you own the car. When you lease, you pay to drive someone else's vehicle. Although leasing can involve lower monthly payments than a loan, at lease end, you will have no ownership or equity in the car.

The number of new car leases is skyrocketing. Before you decide whether to lease or buy, the Federal Trade Commission reminds you: don't be dazzled by so-called deals. Ask questions, nail down the details, read the fine print, and shop around.

SHOPPING TIPS

First, decide whether you want to buy with cash, buy on credit, or lease. When making your decision, be sure to take into account such expenses as the cost of insurance, maintenance, and special fees.

To help you compare the cost of buying on credit with the cost of open end leasing, you must be told the total amount you are responsible for under the lease, the value of the property at the beginning of the lease, and the difference between the two. For example, a three-year open end car lease might show:

36 monthly payments of \$225	\$8,100
+ Estimated value of car at end of lease	4,000
Amount you are responsible for under lease	12,100
- Value of car at beginning of lease	10,700
Difference	\$1,400

You could compare this "difference" of \$1,400 with the finance charge you would pay if you bought the car on credit.

If you decide to lease, shop around for the best price and terms. Your overall costs will be lower if you bargain for the lowest lease price, just as you would to purchase the car for cash or credit. If you don't bargain, you won't get the lowest price, which affects other lease costs. Compare the costs and advantages of open end and closed end leases, and look at such options as whether the leasing company will pay for repairs and maintenance.

If you're thinking of leasing, here are some shopping tips:

Shop as if you're buying a car. Negotiate all the lease terms, including the price of the vehicle. Lowering the lease price will help reduce your monthly payments. Get all the terms in writing.

Learn the language of leasing: In a **closed-end lease**, you return the car at the end of the lease and "walk away," but you're still usually responsible for certain end-of-lease charges, such as excess mileage, wear and tear, and disposition. In an **open-end lease**, you pay the difference between the value stated in your contract and the lessor's appraised value at the end of the lease.

Lease inception fees are payments you must make when the lease starts. Fees may include a down payment, security deposit, acquisition fee, first month's payment, taxes, and title fees. Ask for a list of all charges due at lease inception. You may be able to negotiate some or all of the terms.

The **capitalized cost** is the price of the car for leasing purposes plus taxes and extra charges like service contracts and registration fees.

The **capitalized cost reduction** is similar to a down payment. If you're trading in a car, make sure the dealer

applies the trade-in value to the price your lease is based on. The **trade-in credit** may reduce your down payment or monthly payments.

Ask whether **extra charges will be assessed for excessive mileage, wear and tear, disposition, and early termination**. Find out the amount of these charges. Most leases allow you to drive 12,000 to 15,000 a year; if you put on more miles, expect a charge of 10 to 25 cents for each additional mile. You may think the ding in the door is normal wear and tear; to the lessor it may be significant damage. Check out penalties for an early return; expect to pay a substantial charge if you give the car up before the end of your lease.

Make sure the manufacturer's **warranty** covers the entire lease term and the number of miles you're likely to drive.

Consider "gap insurance" to cover the difference -- sometimes thousands of dollars -- between what you owe on the lease and what the car is worth if it's stolen and not recovered or totaled in an accident.

Before you sign the deal, take a copy of the contract home and review it carefully away from any dealer pressure. Be alert for any charges that were not disclosed at the dealership, like conveyance, disposition, and preparation fees.

LEASE COST INFORMATION

Federal law requires lessors to provide lease cost information before you sign the lease. If the dealer declines, consider shopping elsewhere. Information you should know:

- ✓ Amount due at lease signing
 - ✓ Monthly payments
 - ✓ Other charges [not a part of your monthly payments]
 - ✓ Total of payments
 - ✓ How your monthly payment is determined
 - ✓ Excessive wear and use
 - ✓ Early Termination requirements
 - ✓ Purchase option at end of lease term
 - ✓ Maintenance responsibilities
 - ✓ Warranties
 - ✓ Late and default charges
 - ✓ Insurance
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The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

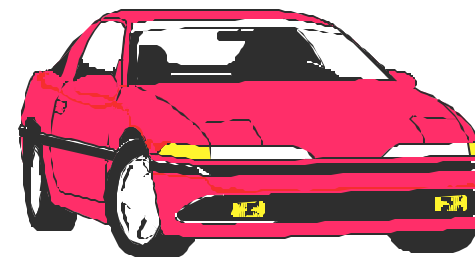
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Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information.



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LOOK BEFORE YOU LEASE



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